

Testimony of David Beckmann, Bread for the World
“IDA and the African Development Fund”
House of Representatives Financial Services Committee Hearing
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Chairman Frank, Ranking Member Bachus and Members of the Committee, thank you for this opportunity to testify.

We are right now in the midst of a world hunger crisis. I want to talk first about this crisis and the World Bank’s role in addressing it. I’ll then come back to discussing IDA and the African Development Fund more generally and my recommendation to this committee.

I went to the Rome conference on food prices earlier this month. On the airplane on the way home, I reviewed documents from the conference and became convinced that this crisis is even worse than I had thought. No one has good numbers yet. But my guess is that something like 800 million of the world’s poorest people have over the last year suffered a serious reduction in their real income, ranging from 10 percent to 50 percent.

Hundreds of millions of people are eating less and eating famine foods. Many have sold their goats and are pulling their children out of school. High prices for oil and other economic problems are contributing to the crisis, but poor people are suffering mainly from dramatically increased prices for basic grains.

Food prices are expected to moderate somewhat, but remain high for years to come. I think we will see political unrest in some of the affected countries, and I’m afraid we will see a string of humanitarian crises, beginning with the severe hunger that has now hit parts of Ethiopia.

The annual food-import bill of the low-income food-deficit countries has gone up by roughly \$70 billion over the last two years. The policy response so far is not at all commensurate with the scale of the problem. The supplemental appropriation that Congress is considering will be about \$2 billion, mostly food aid – and that is more than any other donor government is doing.

The World Bank has since April been sounding an alarm about this crisis, and the Bank’s analysis of what needs to be done is more sophisticated than we have from any other source. Both IDA and the African Development Fund have announced that they are expanding their investment in agriculture.

The World Bank has also launched a rapid response facility to help the hardest hit countries. Because the prices of fertilizer and seed have shot up, many poor farmers cannot afford to plant more in response to higher food prices. The new facility is helping to cushion the humanitarian impact of the crisis and helping to get affordable seeds and fertilizers out to farmers.

The World Bank's performance in this crisis has been particularly impressive, and it illustrates some of the ongoing strengths of both IDA and the African Development Fund.

One strength is analytical leadership. The World Bank has unrivalled capacity for analysis of international development problems and for helping the world to respond collectively. Under the leadership of Don Kaberuka, the African Development Bank is emerging as a development knowledge leader within Africa.

A second strength is that the multilateral banks are focused mainly on poverty-reducing development. By contrast, every dollar that Congress gives to USAID serves at least three purposes: winning influential friends for the United States, benefiting U.S. suppliers, and helping poor people. You can see the difference most clearly in the allocation of resources by country. IDA and the African Development Fund provide assistance mainly to low-income countries that are relatively well governed. Less of USAID's money goes to low-income countries.

Third, the World Bank and the African Development Bank have strong partnership relationships with developing countries. When I visit African countries, the World Bank's resident mission always knows as much as anybody about issues that are important to progress against poverty and how the government is addressing them. The World Bank has the ear of top government officials, even when the Bank is critical. The World Bank also does a much better job than in the past of relating to civil society and getting government agencies to listen to civil society, including people in low-income communities.

The African Development Bank is Africa-owned and managed and, for that reason, even more trusted by African leaders.

Finally, the World Bank has a better system of self-evaluation than any other organization in international development. We know that the World Bank has lots of failings, partly because the Bank analyzes and publicizes its failings. The Bank used to act as if it had all the answers. But in my experience, the Bank is now eager to hear diverse points of view and listen to its critics. As the hunger crisis has come to light, the World Bank has been working closely with many governments and U.N. institutions. Several weeks ago, Bob Zoellick convened a meeting with civil-society organizations from around the world so that managers from the Bank and the IMF could hear diverse perspectives on the crisis.

Early in my career, I served on the staff of the World Bank. I worked in various ways to make the Bank more effective in reducing poverty. I've been at Bread for the World since 1991, and for many years Bread for the World gave only qualified support for replenishments of IDA.

But at this point, I recommend that you authorize the entire replenishment of IDA without conditions. I recommend that you do the same for the African Development Fund.

These multilateral banks deserve your confidence. Their impact still falls far short of their aspirations, but they compare well to other agencies of international development.

Reauthorizing these replenishments without conditions would also strengthen the U.S. voice in these institutions. Other countries have increased their contributions more than we have, and we are in arrears to the World Bank. Our country put the World Bank through the tumultuous presidency of Paul Wolfowitz, and many people in other countries are impatient with U.S. foreign policy generally. So we would do well to be a team player in these reauthorizations.

Finally, the world hunger crisis is a huge setback in the world's progress against poverty. Clean reauthorizations of IDA and the African Development Fund would provide much needed financing for the recovery we will be struggling to achieve over the next several years.